



State of Wisconsin
Department of Health and Family Services

Jim Doyle, Governor
Helene Nelson, Secretary

Irrevocable Burial Trust Amount under MA

| | FY 04 | | FY 05 | |
|------------------|-------|-----------|--------------|--------------|
| | GPR | All Funds | GPR | All Funds |
| Proposal Savings | \$ 0 | \$ 0 | \$ (318,000) | \$ (764,600) |

Description of Proposal

- For irrevocable burial trusts entered into after passage of the 03-05 biennial budget, reduce the amount allowable for Medicaid aged, blind or disabled recipients in an irrevocable burial trust to \$1,500 from the current level of \$2,500.

Background

- An irrevocable burial trust allows an individual to set aside money to pay for funeral expenses by designating a funeral director as beneficiary of a trust.
- To be eligible for Medicaid (MA), an elderly, blind or disabled individual may not have more than \$2,500 in an irrevocable burial trust.
- In addition to irrevocable burial trusts, burial assets are also excluded from countable assets for the purpose of determining MA eligibility. These include: (a) burial spaces; which include plots, vaults, caskets, mausoleums, and urns; of any value for any member of the immediate family, (b) amounts paid for necessary and reasonable improvements on a burial space, (c) an irrevocable insurance policy purchased for funeral expenses, and (d) burial funds for the person and his or her spouse, not to exceed the difference of \$1,500 less the sum of any excludable life insurance, irrevocable burial trust, burial insurance and life insurance funded burial contract.
- Current law regulating funeral directors requires any pre-payments of funeral expenses; excluding cemetery lots, graves, outer burial containers pre-placed in a grave, cremation urns, mausoleum spaces or grave or cemetery lot markers or monuments; be placed in a trust.
- The 01-03 Biennial Budget increased the MA allowable level for irrevocable burial trusts from \$2,500 to \$3,000 effective July 1, 2003.
- Only a portion of MA eligible individuals have enough assets to maximize the irrevocable burial trust \$2,500 limit.
- For MA eligible individuals whose estate cannot cover the cost of cemetery expenses or funeral and burial expenses, a county must pay costs up to certain limits and under certain conditions. If cemetery costs are less than \$3,500, a county must pay the cemetery expenses not paid by the estate up to \$1,000. If funeral and burial expenses are less than \$3,500, a county must pay costs not paid by the estate up to \$1,500. The state provides funding to counties for these costs. If cemetery or funeral and burial costs individually exceed \$3,500, a county is not required to pay anything towards that cost.

Rationale for Proposal

- The poorest MA recipients are not affected by this proposal. Only MA recipients who hold irrevocable burial trusts above \$1,500 are affected and these recipients are at relatively higher income levels.
- Because an individual may pay for certain burial items in advance such as a burial plot, headstone, or outer burial container, the amount set aside in an irrevocable burial trust need not cover all burial expenses.
- Burial insurance up to any value is exempt from an MA recipient's countable assets. A recipient could purchase burial insurance without limit to cover burial costs.